

U.S. auto sales may have finally hit a plateau, a high and healthy one

[Brent Snavelly](#), Detroit Free Press 7:58 a.m. EDT July 2, 2016

In June, the annualized pace of sales was 16.6 million, the slowest sales pace of any month in the past year and down from the 17 million-plus pace the industry has enjoyed for most of the past year.

(Photo: Ford Motor Company)

U.S. auto sales appear to have finally hit their peak but the industry isn't worried.

U.S. auto sales increased a tepid 2.5% in June, falling short of expectations for the month. Most industry forecasts predicted sales would increase 4% or more. But industry experts and executives say the industry remains about as healthy as it's ever been.

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In June, the annualized pace of sales was 16.6 million, according to Autodata, marking the slowest sales pace of any month in the past year and down from the 17-million-plus pace the industry has enjoyed for most of the past year.

The slower-than-expected sales pace must be kept in perspective.

Most analysts and industry executives still expect U.S. industry sales will exceed 17 million this year and said Friday there is no evidence yet that Great Britain's upcoming exit from the European Union and the stock market jitters it created have undermined consumer confidence in the U.S.

"The overall market is at an incredibly healthy level," said Mark LaNeve, Ford's vice president of sales and marketing. "Anything above 17 million feels really good to us. ... We don't see any reason that there would be any disruption to that."

Most automakers posted gains in June. Sales rose 6.5% for Fiat Chrysler Automobiles, 6.4% for Ford, and fell 1.6% for General Motors as GM continued to de-emphasize fleet sales to rental agencies in favor of retail sales to consumers.

LaNeve said Ford's sales actually increased during the final week of the month.

"(Brexit) was a non-factor. Ironically, the month was very average, if not below average, and then we had a really strong last week of the month," he said.

Meanwhile, Kia and Nissan outperformed the industry with 15.6% and 13.1% sales increases, respectively.

Meanwhile, sales rose 3.2% for Honda, were flat for Hyundai and fell 5.6% for Toyota.

Paul Holdridge, vice president of sales for the Toyota division, said the Japanese automaker's sales fell because it has a limited supply of SUVs — a problem the automaker expects to fix over the second half of the year.

"Consumer confidence and the basis of our growth remain very strong," Holdridge said.

Automakers set a U.S. sales record in 2015 when they sold more than 17.47 million cars and trucks. For at least a year, analysts have been expecting the industry would hit a plateau sometime soon. Sales did fall 6% in May, but that was mainly due to an odd calendar.

2016 Toyota Prius *(Photo: David Dewhurst, Toyota)*

Now, analysts say, the industry is likely to bounce around at high levels for at least the remainder of the year.

"What we're seeing in June car sales is what we've predicted for some time. The hefty year-over-year increases are narrowing, which is expected after this unprecedented long stretch of gains," said AutoTrader.com analyst Michelle Krebs. "It should be noted sales are still running at above the 17 million, a pretty high level and with automakers in far better financial health than they were a decade ago."

To be sure, serious challenges are looming. Sales of small cars have cratered for many automakers, with fuel-efficient vehicles like the Toyota Prius and Ford Fiesta suffering sharp declines in June.

What's more, profit-draining discounts are helping to fuel the industry's growth. Average incentives per industry vehicle hit an all-time high for June at \$3,278, up 3.8% from a year ago, according to LMC Automotive and J.D. Power.

But LaNeve argued that automakers are still using incentives responsibly.

And, despite the incentives, average transaction prices for new cars remain at historically high levels.

In June, the average price of a new car was \$33,652, or \$655 higher than the same month a year ago, according to estimates from Kelley Blue Book.